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St. Cloud Area Quarterly Business Report Vol. 21 No. 2

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ST. CLOUD AREA

Quarterly Business Report

Every three months two St. Cloud State University economists analyze the latest business and worker data as well as the results from a survey of local business leaders. The result is the St. Cloud Area Quarterly Business Report. It has been published four times a year since 1999.

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King Banaian specializes in analyzing data and writing about it in the second portion of this report. Rich MacDonald collects and analyzes responses to the St. Cloud Area Business Outlook Survey, covered in an early portion of the report. Only MacDonald has access to the confidential list of surveyed businesses and the returned surveys. Questions about the survey can be directed to him. Special questions asked in the survey may at times deal with public policy but do not reflect a political agenda of either of the authors.

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RESEARCH INSTITUTE
ST. CLOUD STATE UNIVERSITY.

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SUNDAY, JUNE 9, 2019 ■ VOL. 21, ISSUE 2

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Employees walk to the parking lot after a shift change Tuesday, Jan. 30, at Electrolux in St. Cloud. Electrolux corporate officials announced the St. Cloud facility, which manufactures Frigidaire upright freezers, will close November 1.
JASON WACHTER, JWACHTER@STCLOUDTIMES.COM

Firms recover from winter; Electrolux closure looms

St. Cloud outperforms state, Twin Cities in job creation

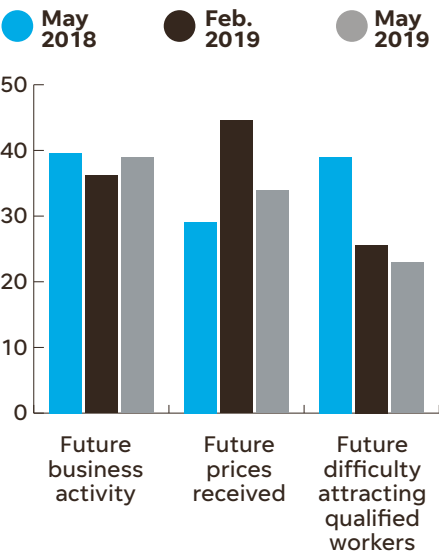
With year over year job growth of 2.1 %, St. Cloud outperformed both the state and Twin Cities in job creation. The construction, manufacturing, educational/health, financial activities and other services sectors of the local economy led the way in employment gains, while the retail trade, professional and business services and information sectors shed jobs. The future outlook of surveyed firms and the St. Cloud Index of Leading Economic Indicators point to continued growth over the next several months. The Nov. 1 closure of Electrolux is the biggest challenge facing the local economy. A summary of the estimated contribution of Electrolux to the local economy appears in this report. The winter weather negatively affected nearly two-thirds of surveyed firms. A majority of survey respondents feel the local business environment is good. Businesses also feel there is good access to resources in the St. Cloud area. Most firms rank local business costs as average.

KEY TAKEAWAYS

- 1 Private sector payroll employment in the St. Cloud area rose 2.2% from one year earlier in the 12 months through April 2019. At 3.3%, the unemployment rate in the St. Cloud area in April was unchanged from one year ago. The local labor force contracted 0.4% over the year ending April 2019 and initial jobless claims fell.
- 2 Employment in the manufacturing sector grew by 2.4% over the year ending April 2019 and annual local job growth in the mining/logging/construction (most of these jobs represent the construction industry) sector surged by 24.9%. The area educational/health sector created 3.3% additional jobs over the year ending April 2019. The retail trade sector shed 2.9% of its jobs in the last year and employment in the professional & business services sector contracted by 3.3%.

See GROWTH, Page 61

Key results of survey



Online

The St. Cloud Area Quarterly Business Report has been produced four times each year since January 1999. Electronic access to all past editions of the QBR is available at <http://repository.stcloudstate.edu/scqbr>

The economic impact of Electrolux

Editor's note: The following is a condensed version of a report titled "Economic Emergency Program: St. Cloud Household Refrigeration and Home Freezer Manufacturing Plant Closure (Electrolux)," published in March 2018 by the St. Cloud State University School of Public Affairs Research Institute and the University of Minnesota Extension. Some facts have been updated to reflect more recent information. The full report is available online at <https://scsu.mn/2JwiGGU>.

The Electrolux plant in St. Cloud sits on 33rd Avenue North. Bounded on the south side by the railroad tracks for the Burlington Northern Railroad and on the north by what is now Veterans Drive, its history begins with the Pan Motor Company. At its peak Pan Motors hired 700 workers, mostly housed in the immedi-

585 of Electrolux's 860 employees live in the immediate St. Cloud metropolitan area.

ate facility in an area known to this day as Pantown. Franklin Transformers of Minneapolis established a plant in St. Cloud in the old Pan Motor building in November 1945. Investing \$200,000 to rebuild the factory in 1947, it quickly grew from 20 to 385 workers. The expanded plant was to build chest and upright freezers, refrigerators, battery chargers and dryers. Its aim was to hire 1,000 workers. By June 1955 the firm, now Franklin Manufactur-

ing, had 1,175 workers, using 515,000 square feet.[1] By 1986 the plant became owned by Electrolux. It reached peak employment of about 1,700 workers in the late 1990s and had nearly 1,500 employees in 2004. In January 2018, at the time the plant announced its forthcoming closure, it had 860 employees.

Who are Electrolux's employees?

As of January 2018, 779 of the 860 employees at Electrolux have "Bar-gained/Hourly" titles. Of these workers, 341 are involved in "general production" and 57 are "lift-truck operators." Another 21 are "leak testers," 18 are "plastic machine operators," 17 are "maintenance mechanics" and 15 are "auto press machine operators." All other hourly titles

See ELECTROLUX, Page 31

Survey results for standard questions

CURRENT ACTIVITY

Table 1: Current business conditions

St. Cloud Area Business Outlook Survey summary, May 2019 What is your evaluation of:	May 2019 vs. three months ago				February 2019 diffusion index ³	May 2018 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ³		
Level of business activity for your company	12.5	33.3	54.2	41.7	2.2	42.3
Number of employees on your company's payroll	12.5	47.9	39.6	27.1	-10.6	39.0
Length of the workweek for your employees	8.3	70.8	20.8	12.5	-17	22
Capital expenditures (equipment, machinery, structures, etc.) by your company	10.4	54.2	35.4	25.0	14.9	27.1
Employee compensation (wages and benefits) by your company	2.1	37.5	60.4	58.3	53.2	59.3
Prices received for your company's products	6.3	47.9	45.8	39.5	21.3	28.8
National business activity	12.5	47.9	29.2	16.7	10.6	40.7
Your company's difficulty attracting qualified workers	0	56.3	37.5	37.5	27.6	39.0

Table 2: Future business conditions

St. Cloud Area Business Outlook Survey summary, May 2019 What is your evaluation of:	Six months from now vs. May 2019				February 2019 diffusion index ³	May 2018 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ³		
Level of business activity for your company	10.4	29.2	50	39.6	36.2	38.9
Number of employees on your company's payroll	4.2	47.9	37.5	33.3	44.7	28.8
Length of the workweek for your employees	6.3	62.5	20.8	14.5	17.1	8.4
Capital expenditures (equipment, machinery, structures, etc.) by your company	4.2	52.1	33.3	29.1	25.5	28.6
Employee compensation (wages and benefits) by your company	0	39.6	50.0	50.0	57.4	55.9
Prices received for your company's products	4.2	52.1	33.3	29.1	44.6	33.9
National business activity	12.5	31.3	35.4	22.9	19.2	35.6
Your company's difficulty attracting qualified workers	0	62.5	22.9	22.9	25.6	39.0

Notes: (1) Reported numbers are percentages of businesses surveyed. (2) Rows may not sum to 100 because of "not applicable" and omitted responses. (3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. A positive diffusion index is generally consistent with economic expansion.

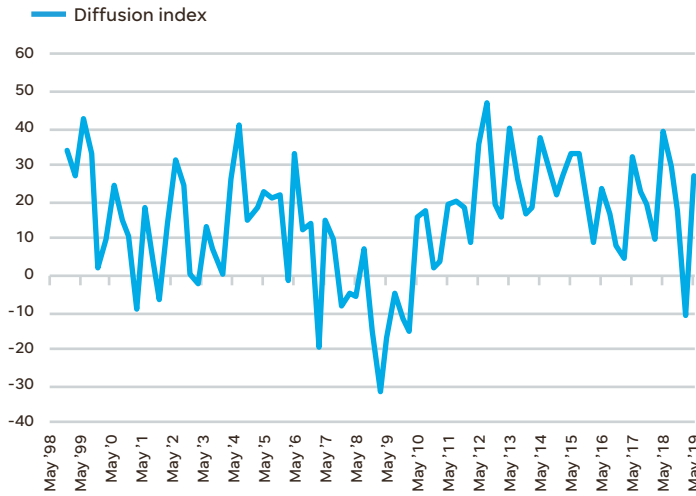
Source: SCSU School of Public Affairs Research Institute

Tables 1 and 2 report the most recent results of the St. Cloud Area Business Outlook Survey. Responses are from 48 area businesses that returned the recent mailing in time to be included in the report. Participating firms are representative of the diverse collection of businesses in the St. Cloud area. They include retail, manufacturing, construction, financial, health services and government enterprises both small and large. Survey responses are strictly confidential. Written and oral com-

ments have not been attributed to individual firms. Most of the current activity indexes found in Table 1 are only slightly lower than was reported one year ago (when the local economy was growing rapidly) and all index values are higher than last quarter (which is a normal seasonal occurrence for some of the survey items). A diffusion index represents the percentage of respondents indicating an increase minus the percentage indicating a decrease in any given quarter. For any given

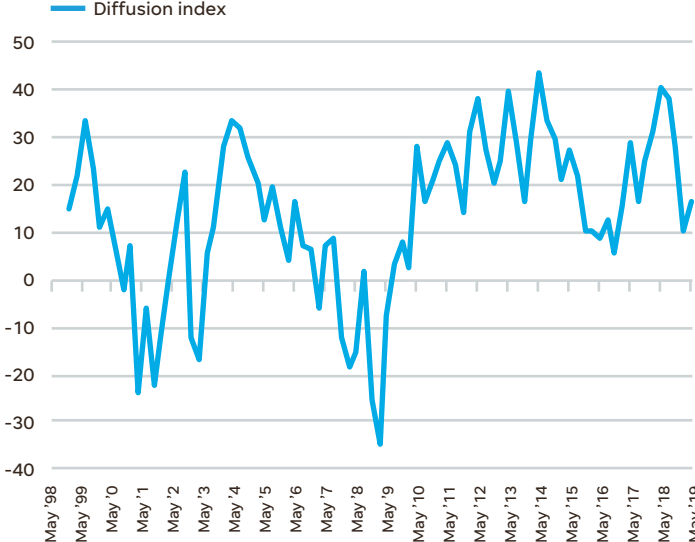
item, a positive index usually indicates expanding activity, while a negative index implies declining conditions. The index on current business activity is about the same as one year ago. The last three months were good for most surveyed firms — 54% reported increased business activity over this period. The employment index (see accompanying chart) rebounded from a negative value in February. Few firms decreased employment in the last quarter and 40% of surveyed firms added to payrolls.

Current employment



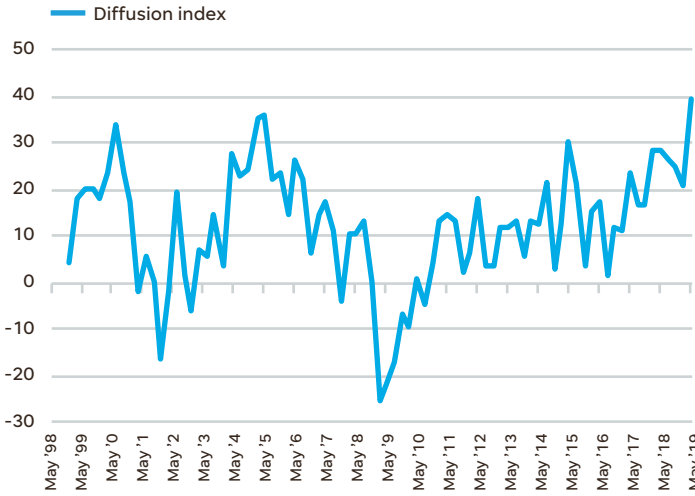
The diffusion index on employee compensation remains elevated. Sixty percent of firms increased wages and salaries and only one firm reported a reduction in employee compensation. Many firms also reported increased difficulty attracting qualified workers this quarter. Overall, the four labor market survey indicators found in Table 1 show a solid performance of the area's labor market — wages appear to be rising and firms are hiring additional workers (although experiencing some frustration in doing so).

Current national business activity



- As always, firms were asked to report any factors that are affecting their business. These comments include:
- The tariffs (especially at 25%) are helping our business as we are becoming more competitive compared to the subsidizing that has been going on for decades. Ten percent was not enough. Ideally, reciprocal trade agreements will move beyond China to other countries as well. It makes no sense for the Chinas and Indias of the world to be allowed to import product into our country at lower rates than what we can ship products into their countries. Makes no sense at all. Charity should begin at home.
 - We continue to invest in training for our employees in hopes it keeps us competitive and our employees feeling value from our organization.
 - Just skilled workforce.
 - Trade tariffs continue to plague our export business. A resolution would certainly be welcome instead of dragging on and on.
 - Biggest threats remain: 1. Labor availability/cost; 2. Continuing metal tariffs (steel & aluminum); and 3. Changing/uncertain Chinese import tariffs/duties. Combined, these are continuing to exert significant downward pressure on margins. Last year we continued with capital investments, bonuses, wage increases, etc. unabated. That will have to change soon; likely this year.
 - Like every month, the lack of concern from our local government on the well-being of existing business in St. Cloud, specifically on the East Side. 150 employees and growing isn't enough to work out how to help get public transportation where it is most needed.
 - Minnesota taxes. Government spending. Health insurance costs.
 - Falling prices in our industry are making it very difficult to make a profit. Fixed costs remain the same or rise meaning we need to do twice as much to cover costs.
 - Too much government regulation from the Department of Commerce.

Current prices received

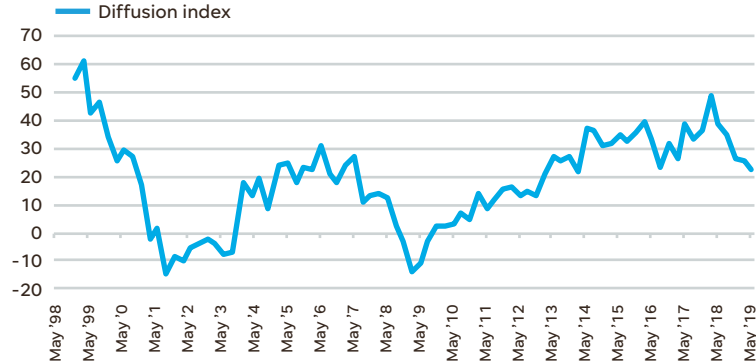


Area firms were successful in increasing prices over the past quarter. As can be seen in the accompanying chart, the diffusion index on prices received is at an all-time high. Forty-six percent of surveyed firms increased prices over the past three months and only 6% reduced prices. Also note that the current capital expenditures index recovered from recent weakness and returned to where it was one year ago. Finally, the national business activity index continues to be sluggish (see accompanying chart). This index is well below where it was one year ago (when the national economy was being lifted by a tax cut).

FUTURE OUTLOOK

The future business conditions survey responses found in Table 2 are similar to what was seen one year ago in the May survey. On balance, they represent a solid outlook for the area over the next six months. However, as was noted in the special section on Electrolux, the economic impact of the future closure of this major local employer clouds the end-of-the-year local economic outlook. We do note that the future business activity index registered its highest reading since February 2018. Fifty percent of surveyed firms expect to increase business activity by November. The diffusion indexes on the level of employment, length of workweek and em-

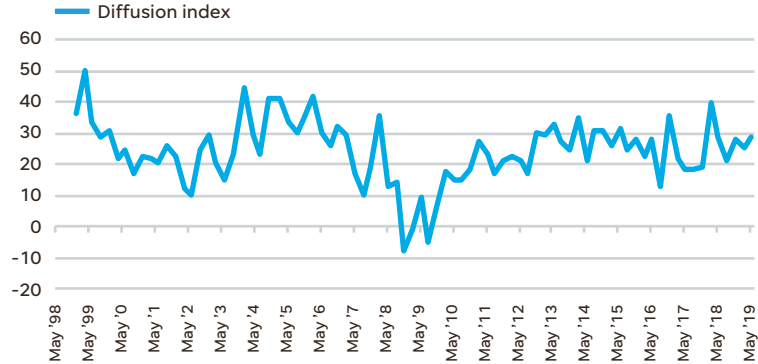
Future difficulty attracting qualified workers



ployee compensation all indicate surveyed firms' expectation of continued strong labor market activity over the next six months. We do note that firms are now expecting less difficulty attracting qualified workers in the future. We

remind readers that this series (see accompanying diagram) has historically followed a path that closely resembles the cyclical movement of the overall economy and is part of our leading economic indicators. While prices received surged

Future capital expenditures



this quarter, we note that the future prices received index is considerably lower than it was last quarter (and is the lowest recorded for this series in nearly two years). Finally, the nearby chart shows the future capital expenditures index has risen to

a healthy level. One-third of surveyed firms expect to increase investment in equipment, machinery and structures over the next six months. An expanded and modernized equipment base should boost long run performance of the local economy.

Electrolux

Continued from Page 11

have fewer than 15 employees. The remaining 81 employees are categorized as “Non-Bargained/Salaried Titles.” Job titles in this salaried category include production supervisors, accounting clerks, engineers, human resource professionals, managerial staff, etc.

Fifteen employees have worked for 40 years or longer and another 88 workers have been there for 30-39 years. The largest share of workers at Electrolux have a job tenure of between 20 and 29 years (283 employees are in this category) and another 217 workers have 10-19 years of experience. Two hundred fifty-seven employees have worked at Electrolux for less than 10 years.

More than half of the company’s workforce is age 50 or older, creating a challenge for transferring these workers to available job vacancies. There are 271 workers in this age 55-64 cohort. Those workers who are aged 45-54 still have more than 10 years before they reach normal retirement age, so new educational opportunities and retraining may be options for them to consider.

The majority of Electrolux’s St. Cloud workers are white. Of the 860 employees, 570 are white and another 158 are black or African American. Another 103 workers are Asian and 26 employees are Hispanic or Latino.

Nearly 400 of the company’s local workforce call St. Cloud home, and another 194 live in the adjoining cities of Waite Park, St. Joseph, Sauk Rapids and Sartell. Thus, 585 of Electrolux’s 860 employees live in the immediate St. Cloud metropolitan area.

It is more difficult to acquire information on education and wages, but area data can help us. We can look at data from Stearns County for a subsector of the economy called Electrical Equipment, Appliance and Component Manufacturing. The total employment in this subsector in 2017 was 1,017. Because Electrolux has 860 employees, it is a fair approximation to say that education and wage data for the subsector likely represents that of the Electrolux workforce. For workers in this subsector:

- Forty-nine percent have a high school degree or less, above the 32.1% share for the entire Stearns County workforce;
- The hourly median wage was \$16.90;
- Earnings of employees in this subsector were more than \$6,000 per year higher than earnings for “all industries” in Stearns County, suggesting Electrolux employees are compensated at higher levels than the typical local worker.

Economic impact of household refrigeration and home freezer manufacturing plant closure

Under the plan, the facility will remain operational until Nov. 1, 2019. Numbers below are built on the assumption that all 860 employees are terminated at that time.

We use an input-output model to measure the economic impact of the closure of a household refrigeration and home freezer manufacturing plant of Electrolux’s size and estimated purchases of labor and material inputs. Input-output models trace the flow of goods and services throughout an economy. Once the flow is quantified, the model can measure how a change in one sector of the economy (initial change) will affect other sectors.

According to the model used in this analysis, 860 employees in the household refrigerator and home freezer manufacturing industry in Stearns, Sherburne and Benton counties produce an estimated \$531 million in output (sales) annually. They earn an estimated \$57 million in salaries, wages and benefits. This is the direct impact.

The loss of 860 jobs at a household refrigerator and home freezer manufacturer in Stearns, Sherburne and Benton counties will have direct, indirect and induced economic impacts on these coun-



Day-shift workers cross 33rd Avenue North as they leave the Electrolux plant in St. Cloud in 2008. TIMES STAFF FILE

ties (See “Economic Impact” table). When the plant lays off 860 employees, an additional estimated 940 jobs in industries that serve the manufacturing plant and its employees will also be affected. In total, the closure of a household refrigeration and home freezer manufacturing plant will affect 1,800 jobs.

The manufacturing plant itself will produce an estimated \$531.0 million less in output because it is closed. This will contribute to a total loss of an estimated \$670.1 million in output (sales) in the three counties.

Labor income will also drop. Lost jobs at the plant will directly cause an estimated decrease in labor income of \$57.0 million for employees at the facility. The lost spending of these wages and other purchases by the plant will decrease total labor income in the three counties by an additional \$45.6 million. Thus, the total loss of labor income will be an estimated \$102.6 million.

The unemployment rate in the St. Cloud area is a relatively low 3.3%. Job seekers from the plant may be able to retrain and find employment. As the workers find new employment, the labor income and induced effects will slowly dissipate. The indirect effects may take longer to dissipate, as suppliers may take longer to adjust.

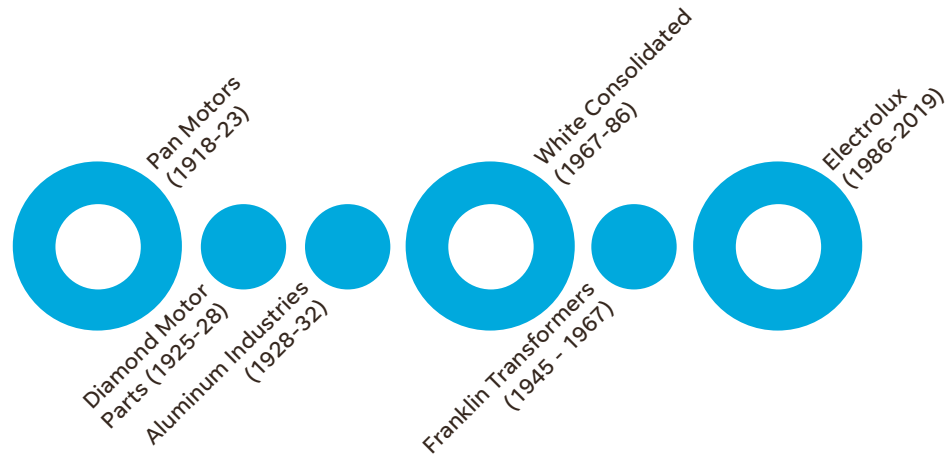
The model can also provide estimates of the industries in Stearns, Sherburne and Benton counties that will feel the largest magnitude of impacts from the closure of the manufacturing plant. In terms of employment, the highest level of indirect and induced impacts will be in the industries shown in the accompanying chart “Top industries impacted by the loss.”

Indirect effects are highest in the wholesale trade, trucking and management of companies industries. This reflects the purchasing patterns of the manufacturing plant. The wholesale trade industry includes businesses that sell raw and intermediate materials and supplies used in production. Wholesalers sell primarily to other businesses and operate from a warehouse or office.

Induced effects are higher in areas like health care, restaurants and retail trade. Households tend to make expenditures in these industries. When household incomes decrease due to unemployment, these areas are that might be cut.

[1] Data from “Franklin Manufacturing Company Grows Rapidly in 9 Years,” St. Cloud Times, Friday, June 17, 1955, p. 8 and Nora G. Hertel, “History of St. Cloud freezer facility full of layoffs and growth,” St. Cloud Times, January 30, 2018, online at <https://www.sctimes.com/story/news/local/2018/01/30/electrolux-history-freezer-manufacturing-jobs-st-cloud/1079617001/>.

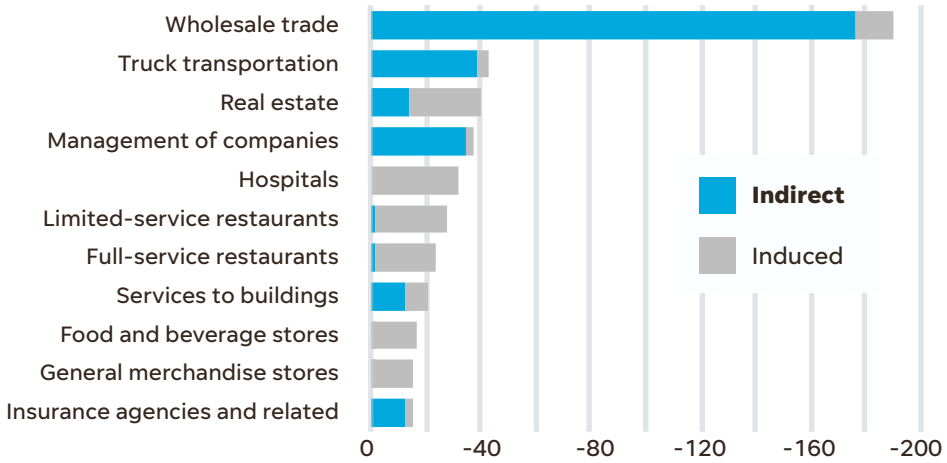
A brief history of businesses at 701-33rd Ave. N



While Electrolux has been the name of the business at 701-33rd Ave. N in St. Cloud since 1986, the site has been home to several other prominent businesses in St. Cloud’s history. The Pan Motor Company, founded by Samuel Pandolfo, set up his short-lived automobile company there from 1918-23. After that, it was home to Diamond Motor Part for three years followed by Aluminum Industries for four years. More than a decade later, Franklin Transformers opened its plant there and operated for 22 years before White Consolidate Industries took ownership in 1967. Electrolux eventually replaced WCI in 1986.

Chart X: Impacted industries

Top industries impacted by the loss of 860 jobs at a household refrigeration and home freezer manufacturing plant, Stearns, Sherburne, and Benton counties



Employment at current St. Cloud Electrolux location

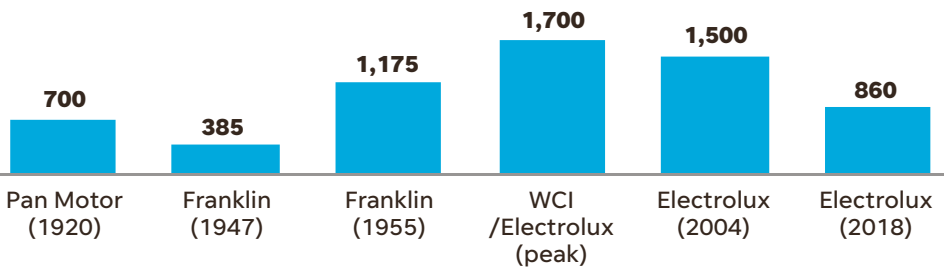


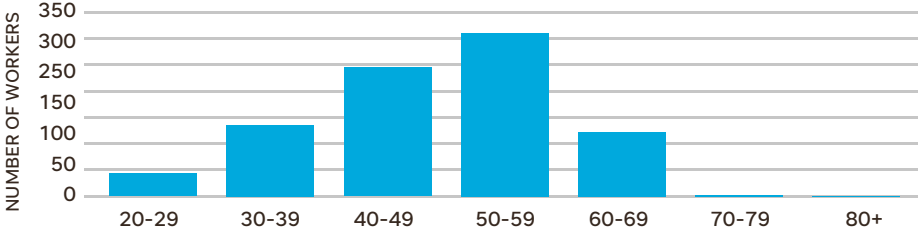
Table X: Economic impact

Economic impact of household refrigerator and home freezer manufacturing plant closure with 860 jobs lost: Stearns, Sherburne, and Benton counties, Minnesota

	Direct At Plant	Indirect Business-Business	Induced Consumer-Business	Total
Output (millions)	-\$531.0	-\$82.8	-\$56.3	-\$670.1
Employment	-860	-460	-480	-1,800
Labor Income (millions)	-\$57.0	-\$27.4	-\$18.2	-\$102.6

Estimates by the Extension Center for Community Vitality

Age distribution of Electrolux workers



Special question

SPECIAL QUESTION 1

Winter had deep effect on area’s businesses

The severity of this winter’s weather — both in terms of extremely cold temperatures and record snowfall and ice events — caused many cancellations and postponements that affected people throughout the state. Anecdotal evidence suggests the bad weather also adversely impacted area businesses more than the typical Minnesota winter. We therefore chose to pull out a question we asked in February/March 2014.

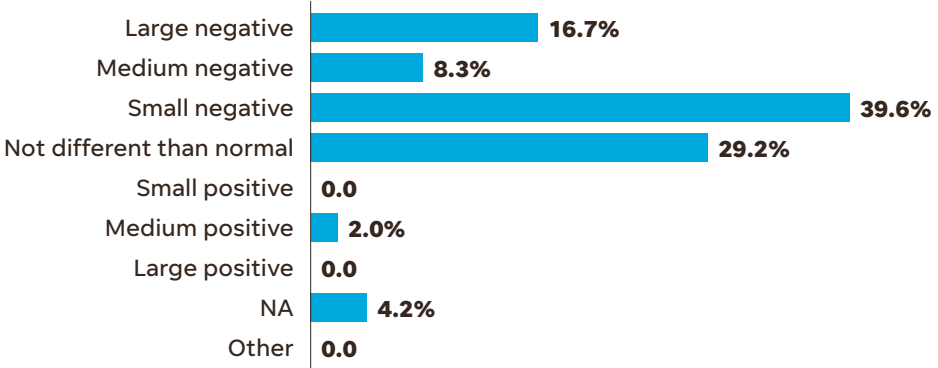
We asked:

HOW DID THIS WINTER’S WEATHER AFFECT YOUR BUSINESS COMPARED TO WHAT YOU NORMALLY EXPECT IN THE WINTER?

Nearly 65% of surveyed firms were negatively affected in some way by this year’s harsh winter and only one firm reports a positive impact. While 29% of firms indicate winter’s effect on their company was “not different than normal,” 16.7% of firms reported a “large negative effect.” Another 8.3% of firms indicate a “medium negative effect” and nearly 40% report a “small negative effect.” Results from the 2014 survey were somewhat similar. In 2014, 14.9% reported a “large negative effect” and 33.8% indicated a “small negative effect.” However, responses did differ in other categories. In 2014, 20.3% of firms experienced a “medium negative effect” and only 18.9% indicated “not different

Special Question 1

How did this winter’s weather effect your business compared to what you normally expt in the winter?



than normal.” Furthermore, nearly 10% of surveyed firms reported a positive effect of the challenging winter of 2014. Comments to this year’s survey include:

- We had an issue with Xcel Energy on one of the coldest days of the winter. Xcel told us to curtail our use of power as part of the power curtailment program that we are on. It was only for a half day but it is the first time they had done that in over 10 years.
- It has been a long cold snowy winter. Early November until May 2019 — customers slow on ordering and installing.
- We are a seasonal business and the

longer winter had a slightly negative effect on our sales.

- When our clients close it impacts our sales. When weather is bad we can work remotely but still lose sales.
- The federal government shutdown combined with more parents home because of closed schools led to a small decrease in revenue in the Midwest and Northeast.
- Some employees couldn’t get in.
- Delayed our selling season and added overhead costs.
- Many of our distributor customers lost several business days. We don’t anticipate the revenue will be recovered.

- Weather-related transportation delays of inbound and outbound materials/products was primary source of small negative effect. Employee attendance also contributed.
- We are a national and international company so the local weather has little or no impact on our sales.
- Our business is very seasonal and the harder the winter, the more people (use our service).
- Retail clients experienced lower traffic and sales due to difficulty with snow/ice conditions.
- We had about \$20,000 in additional expense related to snow and ice removal.
- Volume and snow removal cost.
- Typical freight challenge with snowy roads.
- Much of our business drives to St. Cloud from over 50 miles away. The bitter cold and many snow events decreased traffic — and sales markedly.
- Retail — shuts you down.
- (No impact) — customer base nationwide.
- Our office was closed more days. Very challenging to reach our national clientele when we are closed.
- We had quite a lot of business roll over into 2019 that was not completed in 2018. Schedules were challenging at the end of 2018.
- Down 20%.

A pause in leading indicators; employment builds

Private employment in the St. Cloud MSA grew by 2.2% in the 12 months to April 2019, far exceeding the growth in the rest of the state including the Twin Cities.

Growth in the goods-producing sector led the way, with manufacturing employment rising 2.4% in the period and mining, logging and construction (chiefly construction) rising an eye-popping 24.9%.

It seems likely that the \$88 million building permit for the construction of a new St. Cloud Technical High School in the south part of the city has increased demand for construction in 2019. The new high school opens this fall and we expect some retreat of construction employment later in the year, though a \$20 million project began this spring at the Minnesota State Reformatory.

Service-sector employment rose 0.6% in the 12 months to April, led by increases in financial activities and education and health services employment. Again, these were significantly higher than those in the rest of the state. Retail trade employment was a drag on employment, declining 2.9%. Professional and business services sector employment fell 3.3% and information services employment fell 7.2%, though this last sector is relatively small, and the decline was consistent with what was happening elsewhere in the state.

Signs of a tightening labor market can be seen in Table 4, where both the size of the St. Cloud MSA labor force and the

number of persons in the MSA who are working fell 0.4% and 0.5%, respectively, over the last 12 months. The April unemployment rate in the area held steady while increasing from 3.0% to 3.2% in the state. Initial claims for unemployment insurance in the St. Cloud MSA fell 8.6% between April 2018 and April 2019.

The St. Cloud 13 Stock Price Index fell 7.4% in the 12 months ending April 30. Five stocks rose and eight stocks fell in the quarter, with Pilgrim’s Pride (PPC) rising 33.5% and Newell Brands (NWL) falling 32.8% over that period. PPC reported first quarter earnings in early May, with slightly less earnings than expected, and its share price fell more than 5% after that. Newell Brands has fared better after management spoke to investors also in early May. In the quarter ending April 30, the St. Cloud 13 Stock Price Index rose 2.8%, while the S&P 500 index rose 8.9%.

The rise in stock prices was the only good news on what otherwise was a dismal quarter for the St. Cloud Index of Leading Economic Indicators. As shown in Table 5, all other indicators were down, though none suggested a significant decline. The reduction in LEI shown in Table 4 is based on an April 2018 reading that is the highest we have recorded. The forecast for employment is for seasonally-adjusted gains between 1% and 2% between now and late fall.

After a substantially weaker forecast earlier this year, survey

Table 3: Employment trends

	ST. CLOUD		MINNESOTA		TWIN CITIES	
	2004-'19 long term	April '19 growth rate	2004-'19 long term	April '19 growth rate	2004-'19 long term	April '19 growth rate
Total non-ag	0.9%	2.1%	0.7%	0.5%	0.8%	0.3%
Total Private	0.9%	2.2%	0.7%	0.6%	0.9%	0.4%
GOODS PRODUCING	0.3%	8.6%	-0.3%	2.7%	-0.2%	2.2%
Mining/Logging/Construction	2.5%	24.9%	0.1%	10.2%	-0.3%	5.9%
Manufacturing	-0.5%	2.4%	-0.4%	0.0%	-0.2%	0.9%
SERVICE PROVIDING	1.1%	0.6%	0.8%	0.1%	1.0%	0.0%
Trad/trans/utilities	0.7%	-1.2%	0.2%	-0.3%	0.3%	0.8%
Wholesale Trade	1.5%	0.8%	0.2%	1.4%	0.1%	1.4%
Retail Trade	-0.1%	-2.9%	0.0%	0.3%	0.1%	1.0%
Trans/Ware/Util	2.6%	1.9%	0.8%	-3.9%	0.8%	-0.3%
Information	-3.0%	-7.2%	-1.7%	-3.5%	-1.3%	-1.6%
Financial Activities	1.7%	2.9%	0.5%	0.8%	0.6%	0.6%
Prof & Business Serv.	0.9%	-3.3%	1.4%	0.0%	1.5%	0.5%
Education & Health	3.0%	3.3%	2.4%	-0.5%	2.8%	-1.4%
Leisure & Hospitality	-0.3%	-1.0%	1.0%	2.0%	1.2%	-0.2%
Other Services (Excl.Gvt)	-0.2%	4.0%	-0.3%	0.9%	0.2%	2.5%
Government	0.7%	1.6%	0.2%	0.2%	0.0%	-0.3%
Federal	2.8%	0.5%	-0.3%	0.5%	-0.3%	-0.3%
State	0.5%	-0.5%	0.7%	0.1%	-0.3%	0.3%
Local	0.4%	2.9%	0.0%	0.1%	0.2%	-0.5%

results cause us to be cautious in forecasting that the pause of winter was just a pause. Significant uncertainty remains in the markets and in managerial offices around the area and country. Market-based measures of uncertainty have subsided in recent months, and a measure of U.S. economic policy uncertainty subsided from very high levels reached in December 2018 (which was triggered by trade policy). Events since we surveyed our business leaders have likely increased uncertainty. Despite that, we still see enough evidence of investment and hiring plans, and expect 2019 to be a good year for the St. Cloud economy.

Table 5: Impact of Indicators on St. Cloud Leading Economic Indicators, April 2019

Indicator	Impact on leading indicators
Initial Claims for Unemployment Insurance	DOWN ▼
New Business Incorporations	DOWN ▼
Professional Employment	DOWN ▼
St. Cloud 13 Stock Price Index	UP ▲
Current Conditions in Survey	DOWN ▼
Future Conditions in Survey	DOWN ▼

St. Cloud 13 stock price index

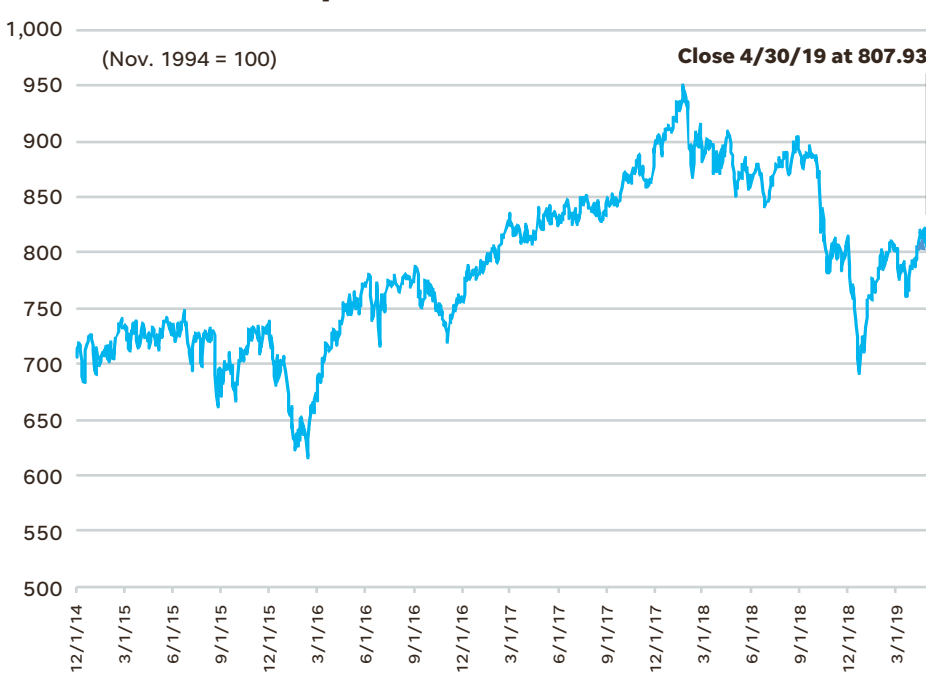


Table 4: Other Economic Indicators

	2019	2018	Percentage change
St. Cloud MSA Labor Force April (MN Workforce Center)	114,309	114,805	-0.4%
St. Cloud MSA Civilian Employment # April (MN Workforce Center)	110,494	110,994	-0.5%
St. Cloud MSA Unemployment Rate* April (MN Workforce Center)	3.3%	3.3%	NA
Minnesota Unemployment Rate* April (MN Workforce Center)	3.2%	3.0%	NA
Mpls-St. Paul Unemployment Rate* April (MN Workforce Center)	2.8%	2.7%	NA
St. Cloud Area New Unemployment Insurance Claims Feb.-April Average (MN Workforce Center)	505.3	552.7	-8.6%
St. Cloud 13 Stock Price Index as of April 30 (SCSU)	807.93	872.58	-7.4%
St. Cloud City Residential Building Permit Valuation in thousands, Feb. - April Average (City of St. Cloud)	1,597.7	1,080.7	47.8%
St. Cloud Index of Leading Economic Indicators April (SCSU) 2012-13 = 100	113.1	114.9	-1.6%

MSA = St. Cloud Metropolitan Area, comprised of Stearns and Benton counties. # The employment numbers here are based on household estimates, not the employer payroll estimates in Table 3; * Not seasonally adjusted; NA Not applicable or not available.

Special question

SPECIAL QUESTION 2

Rating the St. Cloud-area business environment

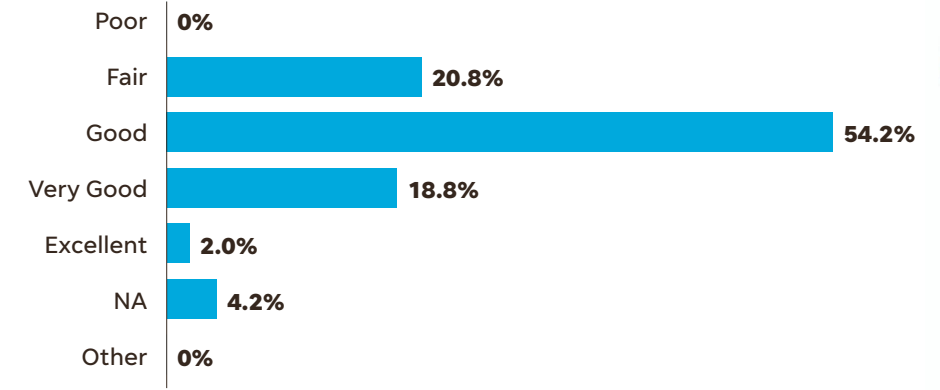
There are many different online ratings of municipalities across the country (and the world). These ratings profile cities across a variety of dimensions, including quality of life, healthfulness, environmental quality, technology access, etc. These rating efforts typically use a variety of metrics to evaluate each city and then a ranking is produced. We haven’t always put a lot of faith in these exercises, but they do make headlines.

One recent study, by the online personal finance firm WalletHub, got our attention. It evaluated the best and worst small cities to start a business. St. Cloud was, of course, included in this study. The study looks at more than 1,200 small cities in three different categories — business environment, access to resources and business costs. A number of measures are used to obtain a city ranking in each of these categories. We will spare you the methodology that WalletHub uses (for more information, go to <https://wallethub.com/edu/best-small-cities-to-start-a-business/20180/>), but we note St. Cloud ranks a rather unspectacular 219 (just above Florence, Alabama and just below Bentonville, Arkansas) on this list. Holland, Michigan earns the highest ranking and Suisun City, California has the dubious distinction of being ranked last (number 1261). We note that Mankato is ranked 439 and Duluth comes in at 1,110, so we outperform our instate peer cities (Rochester is not ranked by WalletHub).

We thought it would be interesting to see how area businesses perceive St. Cloud in these three categories, so this is the topic of the following three special questions. The first question we asked is:

Special Question 2

How does your company rank the overall St. Cloud business environment (considering such things as business start-up activity, area economic dynamism, market potential, variety of industries, etc.)?



HOW DOES YOUR COMPANY RANK THE OVERALL ST. CLOUD AREA BUSINESS ENVIRONMENT (CONSIDERING SUCH FACTORS AS BUSINESS START-UP ACTIVITY, AREA ECONOMIC DYNAMISM, MARKET POTENTIAL, VARIETY OF INDUSTRIES, ETC.)?

No surveyed firm responded “poor” and only one firm indicated “excellent.” With a 54% tally, the most popular response was “good.” Twenty-one percent of firms answered “fair” and another 19% responded “very good.” By comparison, WalletHub ranks us 797 (out of 1261), so it appears area firms have a more favorable outlook about the St. Cloud business environment than the metrics-driven WalletHub ranking. Note that Huntsville, Texas receives WalletHub’s top ranking in the business environment category. Written comments include:

■ St. Cloud continues to have a solid

workforce and a thriving business community based on the other business leaders that I talk to.

■ Chamber and GSDC promote attracting business. Retention should be a strategy. The first rule of growth is Don’t Shrink.

■ We are hiring more outside of St. Cloud area. Our last four hires work remotely as people do not want to relocate to Minnesota for tax reasons.

■ The lack of apparent spending to attract new business is seen as a negative.

■ We have a positive outlook on the overall business environment, however, we would not say it is excellent.

■ Have seen more businesses closing quickly than in years past.

■ I continue to not understand the minimal use of government incentives to stimulate economic growth in the St. Cloud area. Pure and simple, you are either growing or contracting. I choose growth.

■ St. Cloud still somewhat dependent on cyclical industry/manufacturing, but starting to slowly diversify.

■ Seems like more internet-based efforts going on.

■ The loss of Electrolux is significant.

■ St. Cloud is close enough to the



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Twin Cities that they can attract the business clientele that is looking for cheaper real estate.

■ The local politicians need to quit playing favoritism and look at the east side commercial district as a part of the overall economic strategy.

■ We see steady demand for financing but there is a lot of competition from other (competitors).

■ Diversified and vibrant economy — lots of successful small businesses.

■ The (St. Cloud) environment doesn’t affect our business a lot. Other than difficulty finding employees.

■ Still growing — new homes and apartments...positive effect.

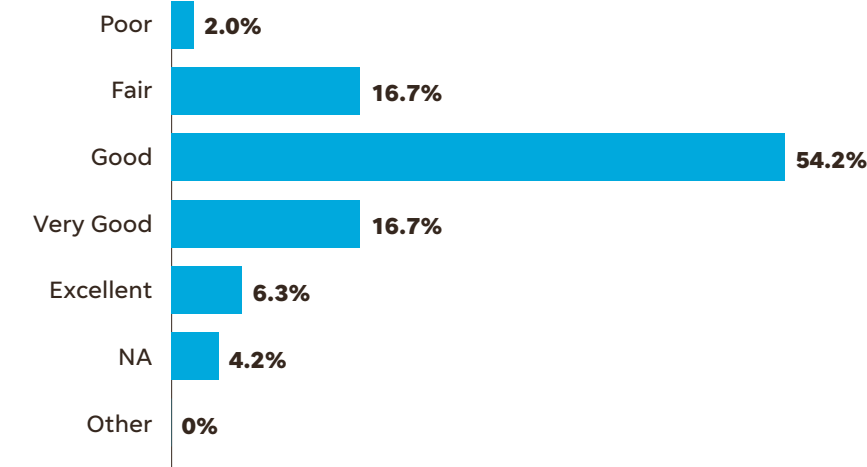
■ Immigrants provide decent labor pool.

■ The market ebbs and flows. The good news is that the area has a diverse economy.

■ Concerns about the impact of Electrolux. The level of (or lack of) construction in our immediate area is concerning.

Special Question 3

How does your company rank overall access to resources in the St. Cloud area (considering such things as labor availability, business financing options, workforce skills and education, etc.)?



SPECIAL QUESTION 3

Rating access to resources in the St. Cloud area

The second category in WalletHub’s small cities ranking is “access to resources.” St. Cloud achieves its highest WalletHub ranking in this category, receiving a ranking of 11 out of 1,261 small cities. One of the subcategories in “access to financing” is “most accessible financing” for which St. Cloud is ranked first. While firms responding to our survey don’t necessarily rank area access to resources as highly as WalletHub, this is clearly perceived by area firms as an area of local strength. We asked:

HOW DOES YOUR COMPANY RANK OVERALL ACCESS TO RESOURCES IN THE ST. CLOUD AREA (CONSIDERING SUCH THINGS AS LABOR AVAILABILITY, BUSINESS FINANCING OPTIONS, WORKFORCE SKILLS AND EDUCATION, ETC.)?

Fifty-four percent of firms rank local access to resources as “good.” Another 16.7% think we are “very good” in this category and 6.3% of firms respond “excellent.” Note that 16.7% of firms think local access to resources is “fair” and one firm entered a response of “poor.” Note that Holland, MI receives WalletHub’s top ranking in this category. Written comments to special question 3 include:

■ Overall it is very good. But, over the years, the employees that we need (i.e., people who can operate our machinery) are just not available and SCTCC no longer offers classes in (our industry). So, we have to train people ourselves, which is a significant cost to the company.

■ Financing options are good. Labor is

in shortfall. Taxes are high.

■ The ability to find people willing to work is getting worse over the past few years.

■ We recently added staff. It was not too difficult for us to find them. They are very skilled.

■ Overall most business needs can be met in St. Cloud.

■ River of talent flows through St. Cloud, and quality of life allows us to attract talent from outside the area and even outside the state.

■ Need more trades people.

■ Skilled workers is the major problem.

■ Quick access to surrounding rural areas makes it easier for people to drive into St. Cloud for work and school.

■ We have a shortage of skilled workers who want to work in factories. Welders, machine operators are two areas in demand.

■ There are many qualified (industry) employees in the area due to the number of financial institutions and the schools. It is sometimes hard to attract the best, but there are usually people available with appropriate skills.

■ Labor availability and workforce skills are poor.

■ There is little to no financing available for our company. Those people who can work but don’t because they don’t have to or don’t want to. A most challenging environment.

■ Our biggest challenge is finding qualified people.

■ Banking is good. Freight companies good.

Special question

SPECIAL QUESTION 4

Rating business costs in the St. Cloud area

The final category of WalletHub’s small cities ranking is “business costs.” It was a little more difficult to develop an appropriate question to simulate WalletHub’s metrics-based ranking, but we asked:

HOW DOES YOUR COMPANY RANK OVERALL BUSINESS COSTS IN THE ST. CLOUD AREA (CONSIDERING SUCH THINGS AS COMMERCIAL SPACE, LABOR COSTS, CORPORATE TAXES, ETC.)?

Most firms (nearly 69%) think our business cost ranking is “average.” No firms rank us as “very low” and only two firms chose “below average.” And 12.5% of respondents answered “above average” and one firm selected “very high.” This “average” ranking correlates reasonably well to WalletHub’s ranking. They rank St. Cloud as 509 (out of 1,261) in this category. Goldboro, NC receives WalletHub’s top ranking in this category. Responses include:

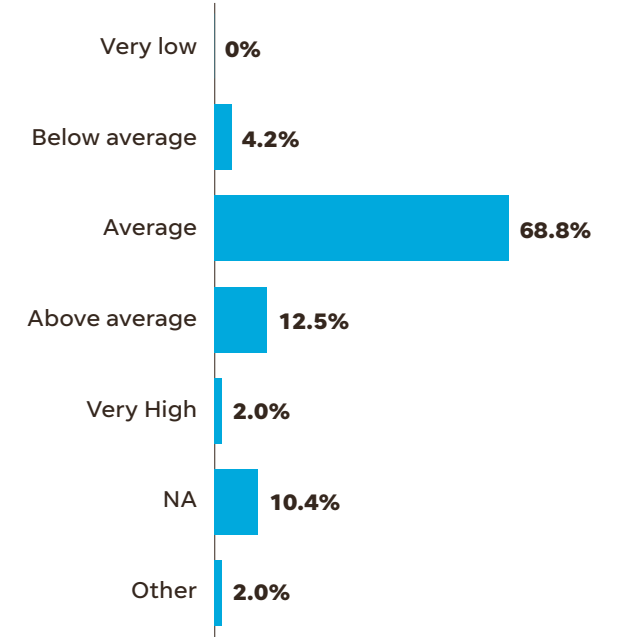
- We have no issues with these factors.
- We have not experienced much change in rent and/or operating expenses.
- Lease rates may be cheaper in some areas but taxes are not in line with other states for doing business.
- No major excessive costs that I am aware of.
- Cost of living, housing and labor are all positive.

Minnesota state taxes and regulation are ridiculous. We aren’t even close to the top half of states ranked for being a good place to do business. (Chief Executive Network)

- Need trades people.
- There seems to be an abundance of available retail property in the area, especially on the east side of St. Cloud and downtown. Labor costs have been low in the past, but we’ve had to raise our starting wage to attract more workers.
- Labor costs are rising, both in salary and benefit. This is being driven by supply and demand, as well as political factions. Eventually, between rising taxes and labor, costs will rise. That is simple economics 101.
- A year or two ago, I would have said St. Cloud labor costs were below average, but it seems our labor costs are near or at metro levels.
- Affordable place to conduct business.
- Not really sure.
- Minnesota — absolute disaster. DFL— spend — tax-spend. Absurd.
- Taxes.
- It is a great location for our business due to overhead.
- Fair wages.
- I don’t have anything to compare prices with. I do believe commercial space is expensive in St. Cloud.

Special Question 4

How does your company rank overall business costs in the St. Cloud area (considering such things as commercial space, labor costs, corporate taxes, etc.)?



Crest View Village is a new apartment building in south St. Cloud. Area firms reported being negatively affected by the winter weather.
ANNA HAECHERL, AHAECHERL@STCLOUDTIMES.COM

Growth

Continued from Page 1I

- 3** The new St. Cloud Index of Leading Economic Indicators rose less than 0.1% in the February-April quarter and is down 1.6% from a year ago. The year-ago figure was a peak reading in LEI. In the latest quarter five of six indicators were down. The St. Cloud 13 Stock Price Index rose 2.8% over the three months ending April 30, 2019. Over this same period, the S & P 500 rose 8.9%.
- 4** The future outlook of those area businesses responding to the St. Cloud Area Business Outlook Survey was solid. Half of surveyed firms expect an increase in business activity over the next six months, and only 10% expect decreased activity. 38% of surveyed firms expect to expand payrolls by Novem-

ber and 50% anticipate higher employee compensation. Compared to previous surveys over the past couple of years, fewer firms are expecting to increase prices over the next six months. While the local labor shortage continues, fewer firms expect to have increased difficulty attracting qualified workers by November.

5 In special questions, 65% of firms reported a negative effect of this winter’s weather, with one-sixth saying it had a large negative impact. Firms also evaluated the business environment in St. Cloud this quarter.

Respondents had generally favorable impressions of access to services in our community but felt the cost of doing business in St. Cloud was average. Overall, 21% of firms thought the business environment was very good or excellent, and another 21% thought it was fair. The remainder called the business environment good.